

# 5-STEPS TO DETERMINE PAYE

1



## Determine Remuneration

Apply the definition as per paragraph 1 of the 4th schedule. Examples includes:

- Monthly - Salaries, Wages,
- Once - Off - leave pay, bonus

2



## Deduct your allowed deductions

Deduct expenses incurred as per par 2(4)(a) - (f) of the 4th Schedule. Examples includes:

- 11F Retirement Fund Contributions (Employee + Employer)
- Donations < 5 % of remuneration (s18A)

3



## Determine your tax payable (monthly amounts)

$[(\text{Remuneration} - \text{Deductions}) \times 12] \times \text{Tax \%} - \text{Medical Tax Credits \& Rebates} = \text{Annual Tax (A)}$

$\text{Annual Tax (A)} / 12 = \text{Monthly Tax payable (C)}$

4



## Determine tax payable (once off payments)

$[(\text{Remuneration} - \text{Deductions}) \times 12 + \text{Once Off Payment}] \times \text{Tax \%} - \text{Medical Tax Credits \& Rebates} = \text{Annual Tax (B)}$

$A - B = \text{Tax on once off amount (D)}$

5



## Total PAYE for the month

- For Months with no once off payment - C
- For Months with once off payments - C + D

# TOP 5 RULES FOR EMPLOYEE TAX

# 1



## s10(1)(o)(ii) Exemption

- Income less than R1,250,000 for the **total** YoA **outside** the Republic is not subject to SA tax.
- Amounts exceeding the R1,250,000 threshold **will be** taxable.

# 2



## Independent Contractors

1. > 50% of services at clients premises , **and**
2. Subject to control / supervision of person , **or**
3. Employs 3 / more non-connected person (overriding test)
4. If test are met, no employee tax is levied.

# 3



## Labour Brokers

- Provides clients with own employees to perform services.
- With an **exemption** certificate no employee tax is levied.

# 4



## Personal Service Providers - Pays Employee tax

Company or a trust **and** service is rendered **personally** by a **connected** person with < 3 or more **non-connected** employees **and** person would be regarded as an **employee** or duties performed mainly at client **or** > 80% of income come from **one** client

# 5



## Statutory Rules

- SDL and UIF is declared and paid with PAYE submissions to SARS
- Payment must be on / before the 7th of the month after deduction